



Office of the Washington State Auditor
Pat McCarthy

Report on Unauditable Government

Cowiche Sewer District

For the period January 1, 2019 through December 31, 2021

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Office of the Washington State Auditor
Pat McCarthy

December 29, 2022

Board of Commissioners
Cowiche Sewer District
Cowiche, Washington

Report on Unauditable Government

This government has been declared “unauditable.” In other words, the financial records were not available to complete an audit as required by law. Please find attached our report on the Cowiche Sewer District, in which we state that we were unable to form conclusions regarding these matters due to the District’s lack of response to our information requests.

Auditing is essential to government accountability to the public, as reflected in the mandate for audits of local governments given in state law (RCW 43.09.260). The Office of the Washington State Auditor takes seriously our role to advocate for government accountability and transparency and to promote positive change.

This report and the included finding will be published on our website at <http://portal.sao.wa.gov/ReportSearch> as a matter of public record and will also be provided to the Office of the Attorney General for its review.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

Americans with Disabilities

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REPORT ON UNAUDITABLE GOVERNMENT

State law (RCW 43.09.260) requires the Office of the Washington State Auditor to examine the financial affairs of all local governments at least once every three years. However, as described in the attached finding, the Cowiche Sewer District did not submit the annual financial reports with our Office for January 1, 2019 through December 31, 2021 and did not respond to our inquiries and requests for financial documentation. As such, we could not conduct an audit, as required by state law.

Failure to submit required reports represents a violation of state law and a weakness in controls over safeguarding of public resources, which we describe in the attached finding. Because we could not perform an audit, we could not come to conclusions on any other aspect of the District's compliance with applicable state laws or controls over the safeguarding of public resources.

Management is responsible for ensuring compliance and adequate safeguarding of public resources from fraud, loss or abuse. This includes the design, implementation and maintenance of internal controls relevant to these objectives. State law (RCW 43.09.230) also requires local governments to prepare and submit certified annual reports to our Office summarizing such things as revenues received, collections made, amounts receivable or payable, expenditures made and debt owed.

SCHEDULE OF FINDINGS AND RESPONSES

Cowiche Sewer District January 1, 2019 through December 31, 2021

2021-001 The State Auditor's Office could not conduct an audit of the District, as required by state law.

Background

State law (RCW 43.09.260) requires the State Auditor to examine every local government's financial affairs at least once every three years. State law (RCW 43.09.230) also requires local governments in Washington to provide a summary of their financial activity to our Office each year within 150 days of their fiscal year-end. Public officials and employees may be subject to removal from office for refusing to or willfully neglecting to perform their duties (RCW 43.09.240), which includes filing the required reports with the State Auditor, and such actions are considered misdemeanors (RCW 42.20.100).

The District should operate with a three-member elected Board of Commissioners. Since May 2022, the Board has only had one Commissioner. The Board is responsible for District operations and compliance with state laws. The District does not have any employees, but it contracts for District Administrator services to oversee its daily operations. The District Administrator contract ended in June 2022.

Description of Condition

We could not conduct an audit because the only remaining Commissioner refused to respond to our requests for information. While we obtained certain documents through a third party, we could not obtain necessary information about the years under audit because the District did not have any staff or an active governing body. Additionally, the District did not submit the annual financial report to our Office for the period of January 1, 2021, through December 31, 2021.

Cause of Condition

The District has operated without an active Board and District Administrator since May and June 2022, respectively. The two open Commissioner positions remain vacant because there have been no interested parties to fill them. Since the District

does not have an active Board, it has not advertised or contracted for the District Administrator position.

Effect of Condition

We could not conduct an audit, as required by state law (RCW 43.09.260). Failure to submit financial reports limits access by the public, state and federal agencies, and other interested parties to financial and other information about the District. Additionally, without submitting required reports or responding to our audit inquiries, the District cannot demonstrate accountability for its operations or that it has used public funds responsibly.

District's Response

We are unable to obtain a response from the District because of the Commissioner's refusal to be involved in the audit.

Auditor's Remarks

We attempted to discuss the audit with the remaining Commissioner, but he refused to be involved.

Recommendation

We recommend that Yakima County either appoint a governing body that can oversee District operations and submit annual reports, or dissolve the District (RCW 36.96.020).

Applicable Laws and Regulations

RCW 43.09.230(2) states, in part:

The state auditor shall require from every local government financial reports covering the full period of each fiscal year, in accordance with the forms and methods prescribed by the state auditor, which shall be uniform for all accounts of the same class.

Such reports shall be prepared, certified, and filed with the state auditor within one hundred fifty days after the close of each fiscal year.

The reports shall contain accurate statements, in summarized form, of all collections made, or receipts received, by the officers from all sources; all accounts due the public treasury, but not collected; and all expenditures for

every purpose, and by what authority authorized; and also: (a) A statement of all costs of ownership and operation, and of all income, of each and every public service industry owned and operated by a local government; (b) a statement of the entire public debt of every local government . . . (c) a classified statement of all receipts and expenditures by any public institution; . . . together with such other information as may be required by the state auditor

RCW 43.09.240 states, in part:

Every public officer and employee of a local government shall keep all accounts of his or her office in the form prescribed and make all reports required by the state auditor. Any public officer or employee who refuses or willfully neglects to perform such duties shall be subject to removal from office in an appropriate proceeding for that purpose brought by the attorney general or by any prosecuting attorney.

RCW 43.09.260 states, in part:

(1) The examination of the financial affairs of all local governments shall be made at such reasonable, periodic intervals as the state auditor shall determine . . .

(5) On every such examination, inquiry shall be made as to the financial condition and resources of the local government; whether the Constitution and laws of the state, the ordinances and orders of the local government, and the requirements of the state auditor have been properly complied with; and into the methods and accuracy of the accounts and reports.

(6) A report of such examination shall be made and filed in the office of state auditor, and one copy shall be transmitted to the local government. A copy of any report containing findings of noncompliance with state law shall be transmitted to the attorney general. If any such report discloses malfeasance, misfeasance, or nonfeasance in office on the part of any public officer or employee, within thirty days from the receipt of his or her copy of the report, the attorney general shall institute, in the proper county, such legal action as is proper in the premises by civil process and prosecute the same to final determination to carry into effect the findings of the examination

RCW 42.20.100 states:

Whenever any duty is enjoined by law upon any public officer or other person holding any public trust or employment, their willful neglect to perform such duty, except where otherwise specially provided for, shall be a misdemeanor.

RCW 36.96.020 states, in part:

Each county auditor shall search available records and notify the county legislative authority if any special purpose districts located wholly or partially within the county appear to be inactive. If the territory of any special purpose district is located within more than one county, the legislative authorities of all other counties within whose boundaries such a special purpose district lies shall also be notified by the county auditor. However, the authority to dissolve such a special purpose district as provided by this chapter shall rest solely with the legislative authority of the county which contains the greatest geographic portion of such special purpose district.

INFORMATION ABOUT THE DISTRICT

The Cowiche Sewer District was established in 1949 to provide a sewer system to customers in the Cowiche area in Yakima County.

An elected, three-member Board of Commissioners governs the District. There is currently only one Commissioner. The District operates on annual revenues of about \$450,000, most of which were received through sewer services.

Contact information related to this report

Address:	Cowiche Sewer District P.O. Box 64 Cowiche, WA 98923
Contact:	Joe Trepanier, Commissioner
Telephone:	(509) 952-8684

Information current as of report publish date.

Audit history

You can find current and past audit reports for the Cowiche Sewer District at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the Washington State Constitution and is part of the executive branch of state government. The State Auditor is elected by the people of Washington and serves four-year terms.

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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